

**RECEIVED** Campaign for Telecommunications Access  
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*Fighting to Give Everyone Full Access to Existing and Future Telecommunications Technologies*

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November 30, 1998

Ms. Magalie Roman Salas, Esq.  
Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

**EX PARTE OR LATE FILED**

Re: Ex Parte Communication in:

CC Docket No. 96-98, Local Competition Order, Petitions for Reconsideration/Clarification

CCB/CPD Docket No. 97-30, Request by ALTS for Clarification of the Commission's Rules Regarding Reciprocal Compensation for Information Service Provider Traffic

CC Docket No. 96-262, Access Charge Reform

CC Docket No. 96-45, Federal-State Joint Board on Universal Service

CC Docket No. 80-286, Jurisdictional Separations reform and Referral to the Federal-State Joint Board

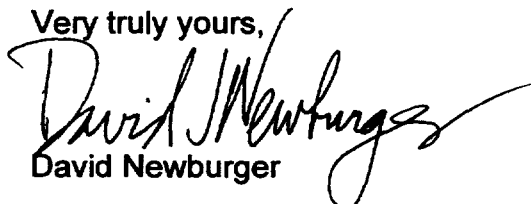
Dear Ms. Salas:

In compliance with Commission rule 47 C.F.R. § 1.1206, I submit for filing the enclosed copy of a memorandum that I e-mailed today to Ms. Pam Gregory of the Office of Plans and Policy.

Two copies of the memorandum are submitted for each proceeding referenced above.

Please return acknowledgement of receipt of this letter and the accompanying memorandum. I enclose a duplicate of this transmittal letter for that purpose.

Very truly yours,

  
David Newburger

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To: Pam Gregory

From: David Newburger

Subject: Reciprocal Compensation and the Disability Community

Date: November 30, 1998

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Pam,

Following are my thoughts on this reciprocal compensation problem. I hope you can pass them along to someone in the decision structure who ranks the concerns of people with disabilities high.

By way of background, local telephone companies pay one another to terminate calls. If a Bell Atlantic customer in DC places a call to someone else in DC who is a customer of a competitive local service provider, Bell Atlantic pays the other local provider a fee for its customer's calling the competitive local provider's customer. The fee is based on the length of the call. If the call goes from the competitive provider through Bell Atlantic to its customer, the competitive provider pays Bell Atlantic the fee. Thus, the term "reciprocal compensation."

Because local voice calls are randomly back and forth, the amount of reciprocal compensation paid has not in the past and in the long run been material.

A problem has emerged because some internet service providers (ISPs) use local competitive providers. If calls to an ISP are local, as opposed to long distance, service, then the evening out of reciprocal compensations topsy turvy. If the Bell Atlantic customer calls his or her ISP through the local competitive provider, Bell Atlantic has to pay the reciprocal compensation to the local competitor. Meanwhile, a call to an ISP is typically much longer than an average voice call, and the ISP rarely, if ever, calls the customer. As a result the "reciprocal" compensation that flows from Bell Atlantic to the local competitive provider becomes much larger than the compensation that flows the other way.

If the calls are long distance, reciprocal compensation is not paid.

# Campaign for Telecommunications Access

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The Commission is now considering whether such calls are local or long distance. It has tentatively indicated it will consider them long distance, but the decision has not, I believe, been finalized.

All these details are pretty dry from the point of view of the older adult and disabled community until you look at what is happening from a cash flow perspective. The incumbent local telephone companies, who have traditionally subsidized our constituents to a greater or less degree, are now providing new competitors a subsidy. The new competitors are those companies who have resisted or refused to compete for local residential customers--they are not helping our constituents.

Meanwhile, in other proceedings, the Commission is squeezing implicit subsidies out of the system. And, those subsidies are not being fully replaced, even on a targeted basis for those of our constituents who truly need support.

As a result, and admittedly the way I read the story from our advocates' perspective, if the service is treated as local:

- New competitors who have no interest in serving our constituents are getting cash from the incumbents.
- The incumbents are not receiving anything of value for that cash, so the payment is, in effect a subsidy from the incumbent to the new competitor.
- Resources from implicit subsidies that have supported our constituents are drying up and not being replaced in a broad enough--even if targeted--way.
- Cash that could assisted our constituents is instead diverted to new competitors.

Frankly, I don't think we care much theoretically whether the service is local or long distance (though logic does suggest it is long distance). We care that, if it is local service, subsidy dollars will be subsidizing supposedly free market competitors. And subsidy dollars our constituents need will be dissipated.

I gather the resolution of this issue is imminent in the Commission. I hope the leadership in the Commission at least sees this concern.